HOUSE COMMITTEE ON APPROPRIATIONS

FISCAL NOTE

SENATE BILL NO. 1237 **PRINTERS NO.** 1918 **PRIME SPONSOR**: **Pileggi**

COST / (SAVINGS)

FUND	FY 2011/12	FY 2012/13
General Fund	**$0**	**$0**
Political Subdivision Funds	**$0**	**$0**

SUMMARY: Amends the Keystone Opportunity Zone, Keystone Opportunity Expansion Zone and Keystone Opportunity Improvement Zone Act to provide for extensions and additional designations, and to repeal the Act's sunset date. This legislation would take effect immediately.

ANALYSIS: This legislation would amend the Keystone Opportunity Zone, Keystone Opportunity Expansion Zone and Keystone Opportunity Improvement Zone Act to provide for extensions of unoccupied parcels and provide for the designation of up to 15 additional Keystone Opportunity Expansion Zones for which there was no designation by the Department of Community and Economic Development (DCED) as of the effective date of the legislation.

Extensions: The legislation provides that DCED may approve an application to extend the exemptions, deductions, abatements and credits for a parcel in a Keystone Opportunity Zone ("KOZ"), Keystone Opportunity Expansion Zone ("KOEZ") and Keystone Opportunity Improvement Zone ("KOIZ") or subzone that expires in 2013 or thereafter.

The extension shall be for an additional period of 7 to 10 years from the date of occupancy, or from the expiration date of the zone as determined by DCED. For a zone that expires in 2013, the extension shall apply to parcels that are unoccupied on the effective date of the bill. For a zone that expires after 2013, the extension shall apply to parcels that are unoccupied on a date determined by DCED. In order to extend the tax benefits, DCED must receive an application no later than three months prior to the expiration date of the zone.

Designations: For the additional 15 KOEZ's under Section 301.4 (a)(1), the 10-year period shall begin on January 1, 2010 and end on December 31, 2020. Applications from a political subdivision or its designee must be received by June 1, 2012. If approved, persons and businesses within an additional KOEZ shall be entitled to all tax exemptions, deductions, abatements or credits for a period of 10 years beginning January 1, 2013 and ending December 31, 2022. Exemptions for sales and use taxes shall commence upon designation of the zone by DCED.

Creates subsection (a)(2) under Section 301.4 to allow DCED to designate any of the 15 remaining unused KOEZs for which there was no designation by DCED as of the effective date of the legislation, which must meet the following requirements:

- Not be less than 10 acres in size unless contiguous to an existing zone
- Not exceed, in the aggregate, a total of 350 acres
- Be comprised of parcels that meet any of the following criteria:
    - Are deteriorated, underutilized or unoccupied
    - Are occupied by a business that creates or retains at least 1,000 full-time jobs and makes a capital investment of at least $500 million in the additional KOEZ within three years

For additional KOEZs provided for under subsection (a)(2), the 10-year period shall begin on January 1, 2014 and end on December 31, 2023. Applications from a political subdivision or its designee for the additional KOEZs must be received by October 1, 2013. DCED shall reserve three KOEZ designations for applications received from counties of the fifth through eighth class. If fewer than three applications are received by the application deadline, the balance shall be available for any county.

Creates subsection (a)(3) under Section 301.4 to permit a business located in an additional KOEZ that makes an investment of at least $1 billion and creates at least 400 new full-time jobs in one or more zones within seven years, to receive tax benefits for a period of 15 years from the date of occupancy.

Expansion of Current Zones: This legislation would add Section 301.7 (relating to expansion for new job creation) to expand the area of a KOZ/ KOEZ/ KOIZ to include additional parcels (not to exceed 15 acres) that are unoccupied, deteriorated, or underutilized and which are contiguous to an existing zone for a period of 10 years if job creation or capital investment is expected. In order to extend the tax benefits, DCED must receive an application from a political subdivision or its designee by October 1, 2012.

The legislation amends existing Sections 515(g) and 516(f) (regarding corporate net income and capital stock franchise tax benefits) by clarifying which portion of a taxpayer's taxable income or capital employed may not be used to calculate a credit. This legislation provides that the enumerated prohibitions on such credits shall not apply to the portion of a qualified business engaged in manufacturing or processing.

<u>Role of Department:</u> DCED shall provide an annual certification form to the business entity that includes, but is not limited to, all of the following:

- The type and duration of the zone designation.
- The number of jobs created.
- The number of jobs retained.
- The amount of capital investment.
- Any other information, conditions, or requirements reasonably required by DCED.

DCED shall monitor the following:

- Verifiable job creation and job retention data
- Information on job type and hourly wage
- Number of years in the program
- Annual, unduplicated public and private capital investment
- Business type and description
- Any other economic development assistance received from DCED
- Verifying that businesses that re-locate meet the increased full-time employment, capital investment or lease agreement requirements of the act.

FISCAL IMPACT: This legislation would have no adverse fiscal impact on Commonwealth or political subdivision funds. The legislation would remain revenue neutral since designated zone sites must be deteriorated, underutilized or unoccupied; therefore current economic activity within the zone is limited, producing very little tax revenue to the Commonwealth or a political subdivision, if any.

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House Appropriations Committee (R)

DATE: February 3, 2012

Estimates are calculated using the best information available. Actual costs and revenue impact incurred may vary from estimates.